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CALVERT Gas & Oils Limited

Annual Report

FOR THE YEAR ENDED
DECEMBER 31, 1969

Calvert Gas & Oils Limited

(Incorporated as a Public Company under the Laws of the Dominion of Canada)

CAPITALIZATION

	Authorized	Issued
Common Shares	5,000,000	3,967,000

OFFICERS AND DIRECTORS

Officers

J. J. C. EVANS	<i>President</i>
J. M. KIRSCHBAUM	<i>Vice-President</i>
F. W. BOULGER	<i>Secretary-Treasurer</i>
F. G. ROMAN	<i>Assistant Secretary-Treasurer</i>

Directors

F. W. BOULGER	Toronto, Ontario
A. CAMISSO	Toronto, Ontario
J. J. C. EVANS	Toronto, Ontario
J. S. GRANT	Toronto, Ontario
J. M. KIRSCHBAUM	Toronto, Ontario
F. G. ROMAN	Toronto, Ontario
R. RULE	Toronto, Ontario

Transfer Agents

GUARANTY TRUST COMPANY OF CANADA

Auditors

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL

Administrative Offices

20th Floor, 4 King Street West, Toronto, Ontario

CALVERT GAS & OILS LIMITED

20th Floor, 4 King Street West,
Toronto, Ontario.

TO THE SHAREHOLDERS:

Enclosed please find notice calling the annual meeting of the shareholders to be held this year in the Windsor Room of the King Edward Sheraton Hotel, Toronto, Ontario on Wednesday, June 17, 1970 at the hour of 11 o'clock in the forenoon (Toronto time). Also enclosed is a copy of the balance sheet as at December 31, 1969 with related statements thereto and the report of the auditors thereon. There is also enclosed an information circular and a form of instrument of proxy for use by those shareholders who cannot personally attend the meeting and wish to vote their shares.

Exploration of the Eastmain River claims in northwestern Quebec was begun in September, 1969 by the companies to whom this Company and its associates farmed out the property by agreement of July 21, 1969. The exploration has been under the management of Hudson Bay Exploration and Development Company Limited acting for the four companies who undertook to finance exploration, namely Anglo American Corporation of Canada Exploration Limited, Denison Mines Limited, Kennecott Canada Limited and Hudson Bay Exploration and Development Company Limited.

The \$200,000 originally budgeted for the project has substantially been spent. Ground geophysical and geochemical surveys located several areas of anomalous copper values associated with electromagnetic anomalies. Diamond drilling commenced in late September and continued until freeze-up. The first hole (D1) averaged 1.31% copper and 0.21 oz. silver per ton over a core length of 30.5 ft. from borehole depth 247 ft. to 277.5 ft. Three additional holes were drilled in the vicinity of hole D1, returning sparse copper mineralization of no economic significance. Drilling resumed in early 1970 and a total of 19 holes has been completed. Some encouragement was obtained in hole D8 which gave a core length of 50.5 ft. averaging 0.29 oz. of silver per ton and 3.0% of zinc. Subsequent offset drilling was not encouraging.

Consideration is being given by the financing parties to the carrying out of geochemical testing of an area where airborne anomalies are known to exist. Possible further diamond drilling could follow, if the geochemical results were sufficiently encouraging.

The Company has retained ten claims from the original property in Lemieux Township, Gaspé area, Quebec. No further work is planned.

On behalf of the Board of Directors,

J. J. C. EVANS,
President.

Toronto, Ontario,
May 15, 1970.

CALVERT GAS

(Incorporated as a Public Company under the laws of the Province of Ontario)

Balance Sheet

As at December 31, 1969

(With comparative figures for 1968)

ASSETS

	1969	1968
Current Assets		
Cash	\$ 9,615	\$ 16,551
Short term deposit receipt	67,752	16,783
Accounts receivable	2,383	2,084
	<u>\$ 79,750</u>	<u>\$ 35,418</u>
Fixed Assets (at cost)		
Oil Properties (Note 1)		
Interests in productive leases	\$ 26,691	\$ 26,691
Development costs on productive leases	28,665	28,629
Lease equipment	14,551	13,867
	<u>\$ 69,907</u>	<u>\$ 69,187</u>
Less: Accumulated depletion and depreciation	<u>30,939</u>	<u>27,418</u>
	\$ 38,968	\$ 41,769
Interests in undeveloped leases, reservations, etc.	28,265	27,786
	<u>\$ 67,233</u>	<u>\$ 69,555</u>
Mining Properties (Note 2)		
Unpatented mining claims	\$ 108,208	\$ 75,033
Development costs (as per attached statement)	211,516	190,899
Mining equipment and supplies	10,000	10,000
Airstrip	1,000	1,000
	<u>\$ 330,724</u>	<u>\$ 276,932</u>
	<u>\$ 477,707</u>	<u>\$ 381,905</u>

The accompanying notes to financial statements form an integral part of these statements.

AUDITORS' REPORT

We have examined the balance sheet of Calvert Gas & Oils Limited as at December 31, 1969 and the statements of deficit, operations, deferred development expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
March 10, 1970.

OILS LIMITED

(Incorporated under the Laws of the Dominion of Canada)

Sheet

31, 1969

(as at December 31, 1968)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
Current Liabilities		
Bank loan (secured)	\$ —	\$ 5,533
Accounts payable and accrued liabilities	1,121	894
	<u>\$ 1,121</u>	<u>\$ 6,427</u>
Shareholders' Equity		
Capital Stock (Note 3)		
Authorized		
5,000,000 shares, par value 5¢ each		
Issued and Fully Paid		
3,967,000 shares (1968 — 3,700,000 shares)	\$ 198,350	\$ 185,000
Add: Premium thereon	358,025	271,250
	<u>\$ 556,375</u>	<u>\$ 456,250</u>
Capital Surplus	559,380	559,380
Deficit (as per attached statement)	(639,169)	(640,152)
	<u>\$ 476,586</u>	<u>\$ 375,478</u>

Approved on behalf of the Board of Directors:

J. J. C. EVANS, Director.

F. G. ROMAN, Director.

<u>\$ 477,707</u>	<u>\$ 381,905</u>
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THE SHAREHOLDERS

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL,
Chartered Accountants.

CALVERT GAS & OILS LIMITED

STATEMENT OF OPERATIONS

For the Year Ended December 31, 1969

(With comparative figures for the year ended December 31, 1968)

	1969	1968
Operating Revenue		
Gross oil and gas sales	\$ 16,114	\$ 12,819
Operating, General and Administrative Expenses		
Production and operating expenses	\$ 2,215	\$ 1,925
Transfer agents' fees and expenses	2,510	2,079
Legal fees	3,240	365
Directors' fees	1,050	1,000
Audit fees	1,100	575
Annual meeting and shareholders' information	3,687	2,605
Telephone and telegraph	16	4
General and office expenses	208	36
Capital and place of business taxes	50	50
Filing fees	647	606
Interest and bank charges	156	766
Interest earned	(3,268)	(918)
	\$ 11,611	\$ 9,093
Net Operating Profit Before Provision		
For Undermentioned Items	\$ 4,503	\$ 3,726
Depletion (Note 1)	\$ 1,298	\$ 1,048
Depreciation (Note 1)	817	618
Amortization of Development Costs (Note 1)	1,405	1,134
Cost of undeveloped oil leases abandoned (Note 1)	—	6,807
	\$ 3,520	\$ 9,607
Net Profit (Loss) For Year	\$ 983	\$ (5,881)

STATEMENT OF DEFICIT

For the Year Ended December 31, 1969

(With comparative figures for the year ended December 31, 1968)

	1969	1968
Deficit — January 1	\$ 640,152	\$ 626,926
Add: Cost of mining claims abandoned	—	500
Deferred development expenditures on mining claims abandoned	—	5,524
Loss on disposal of mining equipment	—	1,321
Net loss (profit) for year	(983)	5,881
Deficit — December 31	\$ 639,169	\$ 640,152

CALVERT GAS & OILS LIMITED

STATEMENT OF DEFERRED DEVELOPMENT EXPENDITURES ON MINING CLAIMS

For the Year Ended December 31, 1969

(With comparative figures for the year ended December 31, 1968)

Lemieux Township, Gaspé Area, Quebec	1969	1968
Engineers and consultants	\$ —	\$ 200
Licenses, fees and taxes	960	960
Prospecting	—	345
Miscellaneous	—	206
	<u>\$ 960</u>	<u>\$ 1,711</u>
Eastmain River Area, Quebec		
Electromagnetic survey	\$ 10,387	—
Geophysical survey	6,790	—
Camp and cookery	1,698	—
Licenses, fees and taxes	123	—
Equipment rental	69	—
Assays	39	—
Accounting fees	163	—
General field expenses	388	—
	<u>\$ 19,657</u>	<u>\$ —</u>
Total Expenditures for Year	<u>\$ 20,617</u>	<u>\$ 1,711</u>
Add: Deferred development expenditures at January 1	190,899	194,712
	<u>\$ 211,516</u>	<u>\$ 196,423</u>
Less: Deferred development expenditures on mining claims abandoned written off to deficit	—	5,524
Deferred Development Expenditures at December 31	<u><u>\$ 211,516</u></u>	<u><u>\$ 190,899</u></u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1969

(With comparative figures for the year ended December 31, 1968)

Source of Funds	1969	1968
Net profit (loss) from operations	\$ 983	\$ (5,881)
Add: Charges to Operations not Requiring Cash Outlay		
Depletion, depreciation and amortization	3,520	2,800
Cost of undeveloped oil leases abandoned	—	6,807
	<u>\$ 4,503</u>	<u>\$ 3,726</u>
Proceeds from sale of shares	100,125	—
Proceeds on sale of interest in productive leases	—	22,500
Proceeds on disposal of mining equipment	—	1,900
	<u>\$ 104,628</u>	<u>\$ 28,126</u>
Application of Funds		
Purchase of mining claims	\$ 33,175	\$ —
Additions to lease equipment	684	118
Additions to interests in undeveloped leases, reservations, etc.	479	3,589
Additions to development costs on productive leases	36	53
Deferred development expenditures on mining claims	20,617	1,711
	<u>\$ 54,991</u>	<u>\$ 5,471</u>
Increase in Working Capital	<u><u>\$ 49,637</u></u>	<u><u>\$ 22,655</u></u>

CALVERT GAS & OILS LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1969

Note 1:

Interests in productive leases, development costs and equipment are carried at cost less accumulated depletion, amortization and depreciation. Depletion of cost of producing properties, amortization of well development costs of producing wells and depreciation of production equipment are being provided for on the unit-of-production basis which will write off the lease cost over their estimated geological life and write off the well development costs and production equipment costs over the estimated geological life of the wells.

Upon retirement or disposal of property assets, the cost of the properties retired or disposed of and the related accumulated depletion, amortization and depreciation are removed from the respective accounts; net profits or losses resulting therefrom are credited or charged to income. Drilling expenses which have resulted in dry holes are being written off to operations.

Interests in undeveloped leases, reservations, etc. are valued at cost. Lease rentals and miscellaneous acquisition costs are being charged to the cost of the respective undeveloped properties. On abandonment of undeveloped properties, their cost, together with accumulated development expenses, will be written off to operations.

Note 2:

No depreciation has been taken on mining equipment and supplies or on the Airstrip. All expenditures on the mining claims are being deferred.

Note 3:

During the year, the company issued 267,000 of its shares to an underwriter for \$100,125.

Note 4:

During the year, the company acquired a 25% interest in 1599 unpatented mining claims in the Eastmain River Area of Quebec at a cost of \$33,175 and expended \$19,657 as its share of development expenses thereon.

The company entered into an agreement dated July 21, 1969 whereby it and the other original participants in these properties (the optionors) have granted to another group of companies (the optionees) the right to carry out certain exploration on these claims. The optionees have agreed to expend a minimum of \$200,000 on work on the properties on or before December 15, 1970 and may expend a further \$300,000 by October 15, 1972 for which they will acquire among them an undivided 60% interest in the properties and the company's interest will be reduced to 10%.

This agreement has been approved at a special general meeting of shareholders of the company.